

ORDER NO. 00-275

ENTERED MAY 31 2000

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 939, UM 944, UM 947 & UM 952

In the Matter of the Petitions for Extended Area)	
Service filed by the following telephone exchanges:)	ORDER
OREGON SLOPE (UM 939); VALE (UM 944);)	
NYSSA (UM 947); AND ONTARIO (UM 952))	

DISPOSITION: COMMUNITY OF INTEREST FOUND;
STAFF DIRECTED TO PURSUE IDAHO APPROVAL.

SUMMARY

In this order, the Commission finds that a community of interest exists between the Oregon Slope, Nyssa, Vale, and Ontario telephone exchanges and eight telephone exchanges located in Southwestern Idaho. The petitioners have established a unique interdependence between the exchanges, which all lie within the so-called Treasure Valley. Because of this interdependence, the Commission concludes that further proceedings should be conducted to examine the costs and rates of providing extended area service (EAS) between these areas.

The final approval of these EAS routes, however, does not rest with this Commission. Because these petitions affect numerous exchanges located in Southwestern Idaho, the Idaho Public Utilities Commission must also authorize the creation of the interstate EAS routes. Accordingly, we direct our Staff to contact the Idaho Commission to initiate further proceedings consistent with this order. We are hopeful that the Idaho Commission will complete its review of the matter and grant the requested relief in time to allow the review of costs and rates associated with these proposed EAS routes during the upcoming consolidated tariff analysis this fall.

PROCEDURAL HISTORY

In separate petitions, the customers of the Oregon Slope, Vale, Nyssa, and Ontario telephone exchanges requested the Commission to investigate the possible implementation of toll-free calling to various exchanges in Southwestern Idaho. A list of the petitions, including the requested exchanges, is attached as Appendix A. A map of the exchanges is attached as Appendix B.

On February 23, 2000, the Commission staff (staff) filed testimony in these dockets for the Phase I, Community of Interest Determination. Based on a review of geographic and telephone usage information, Staff concluded that none of the requested interexchange routes satisfied the Commission's objective community of interest criteria set forth in Order Nos. 89-815 and 92-1136.

On March 3, 2000, Michael Grant, an Administrative Law Judge (ALJ) issued proposed orders adopting Staff's findings and recommending that the petitions for EAS filed by the Oregon Slope, Vale, Nyssa, and Ontario telephone exchanges be dismissed. Petitioners subsequently requested an opportunity to establish, through demographic, economic, financial, or other evidence that a community of interest exists between the petitioning exchanges and those identified in Idaho.

On April 12, 2000, ALJ Grant held a consolidated hearing on this matter in Ontario, Oregon. Approximately 110 people attended the hearing in support of the petition. Based on the evidence submitted in this matter, the Commission makes the following:

FINDINGS OF FACT

Geography and Demography

The Oregon Slope, Vale, Nyssa, and Ontario telephone exchanges lie in the northeastern corner of Malheur County. All four exchanges are served by Malheur Home Telephone Company, a wholly owned subsidiary of U S WEST Communications, Inc. The four exchanges, combined, consist of 14,335 access lines.

Northeast Malheur County is the center of intensive and diversified farming activities. An extensive network of canals and pipelines provide abundant water for crop irrigation. Crops include onions, potatoes, sugar beets, corn, alfalfa, and wheat. Other principal industries include livestock and milk production. The city of Ontario, with a population of over 10,000, is the largest city in Malheur County. The second largest city in the area is Nyssa, with a population of just over 3,000. Vale, the county seat for Malheur County, has a population of approximately 1,500, while Oregon Slope, an unincorporated community, has about 500 residents.

Geographically, the four petitioning exchanges lie in the western boundary of the Treasure Valley, a region that extends east to Boise, Idaho. While the Oregon Slope, Nyssa, Vale, and Ontario exchanges are located some 370 miles from Portland and the Willamette Valley of Oregon, they lie less than 60 miles from Boise. Moreover, northeast Malheur County and the Boise/Nampa/Caldwell area are directly linked by Interstate Route 84. Due to this proximity, most citizens of northeast Malheur County, although residents of Oregon, feel more closely aligned with southwestern Idaho. This allegiance is bolstered by the fact that most of Malheur County, like Idaho, lies in the Mountain Time Zone, and local residents receive television broadcasts from network affiliates

based in Boise. Similarly, Malheur County residents primarily obtain local news reports from Idaho radio stations and newspapers.

Southwestern Idaho also serves as the inter-mountain region's center of commerce and trade. With a population of over 300,000, the Boise/Nampa/Caldwell area is home to several large industries and numerous commercial and retail businesses. Boise is also a major social and cultural focal point for the Treasure Valley. With venues such as the Morrison Center for the Performing Arts, the Boise State University Pavilion, and the Hemingway Western Studies Center, many Malheur County residents travel to Boise to attend a variety of events. In addition, Boise also has a regional airport that offers general aviation services and a wide variety of daily flights to major cities across the United States.

Employment and Commuting Patterns

A majority of customers of the Oregon Slope, Vale, Nyssa, and Ontario exchanges are employed in agriculturally related activities. Many residents own and operate their own farms. Others are employed by food processing or packaging plants. The Ore-Ida Foods plant, located in Ontario, employs approximately 1,075 workers. The Amalgamated Sugar Company, based in Nyssa, employs about 200 permanent workers, with an additional 600 seasonal employees. Outside of agriculture, another major employer in the area is the Snake River Correctional Institute, located in the Oregon Slope exchange, with 1,000 employees.

A large segment of the working population of Malheur County commutes to work in Idaho, where a wide variety of employment opportunities exist. Some of these workers commute to the Boise/Nampa/Caldwell area to work at the numerous industrial, commercial, and retail businesses located there. The Boise area has over a dozen large corporate headquarters, making it unique for a community its size. Three of the area's largest private employers, Micron Technology, Micron Electronics, and Hewlett-Packard, employ about 13,000 workers. More than 7,000 residents are employed at the area's two regional medical facilities, St. Luke's Regional Medical Center and St. Alphonsis. Other Malheur County residents commute to neighboring Idaho communities. The Woodgrain Millwork, located in Fruitland, Idaho, employs almost 1,000 workers. Dickinson Frozen Foods and American Fine Foods, both located in Payette, Idaho, employ a combined total of 600 employees.

Similarly, Idaho residents commute to northeastern Malheur County to work. For example, over one-third of the employees of the Amalgamated Sugar Company live in Idaho. Most of these out-of-state employees live in Parma, Idaho, with others living in Fruitland, New Plymouth, Emmett, Caldwell, and Payette, Idaho.

Schools

The majority of children who live in the Oregon Slope, Vale, Nyssa, and Ontario telephone exchanges attend schools located in their local calling area. The cities of Ontario, Vale, and Nyssa all have local school districts with K-12 instruction. The Oregon Slope exchange is home to one grade school and one middle school, with older students attending the high school in Ontario. Some children in the Oregon Slope exchange attend schools in Fruitland, Idaho.

Local residents seeking higher education primarily rely on colleges and universities located in Idaho. Locally, residents can attend the Treasure Valley Community College, a two-year institution located in Ontario that offers joint classes with Boise State University. Residents seeking four-year degrees attend Albertson's College in Caldwell, Idaho, Boise State University in Boise, Idaho, or the Northwest Nazarene College in Nampa, Idaho. Many of the local schools in Malheur County collaborate with Idaho colleges and universities as educational partners.

Government and Jurisdictional Issues

The Oregon Slope, Vale, Nyssa, and Ontario telephone exchanges are located within Malheur County and are served by administrative offices in Vale. These include offices for the County Clerk, District Attorney, Health Department, Planning Department, and Sheriff. Many state agencies also have offices located in Ontario to serve local residents. These agencies include Adult and Family Services, Agriculture, Children Services Division, Department of Motor Vehicles, Fish and Wildlife, State Police, and Vocational Rehabilitation.

Those residents that commute to work in Idaho also obtain some governmental services from offices located in Boise. These include the Idaho Department of Revenue, Employment, and Workers' Compensation.

Medical and Dental Services

Residents of the Oregon Slope, Vale, Nyssa and Ontario exchanges can obtain basic medical and dental care in Ontario. The Holy Rosary Medical Center in Ontario supports a medical staff that provides some emergency medicine, family and general practice, general surgery, and diagnostic imaging. Several family doctors also practice in the city, as well as specialists in vascular surgery, orthopedic medicine, and obstetrics. In addition, Ontario is home to chiropractors, dermatologists, and ophthalmologists, as well as several dentists and orthodontists.

Northeast Malheur County residents, however, rely on Boise and surrounding Idaho communities for certain types of specialized medical, dental and emergency care. Boise is home to the area's only Level I trauma center located at St. Alphonsis. Because of St. Alphonsis' specialized facilities to care for advanced neurosurgical and pediatric trauma, serious medical emergencies are airlifted from Malheur County to Boise. St. Alphonsis also offers specialized programs in neurology, ophthalmology, cancer treatment, cardiac surgery, and home health care.

St. Luke's Regional Medical Center also provides specialized medical care to Malheur County residents. With facilities located in Boise and Nampa, St. Luke's has long been recognized as a leader in neonatal and pediatric intensive care. The Heart Institute and the Mountain States Tumor Institute, both regional facilities affiliated with St. Luke's, provides an extensive variety of cardiac and cancer treatment services to the residents of Treasure Valley.

The Oregon Slope, Nyssa, Vale, and Ontario exchange residents must also travel to Boise to see specialists in cardiology, and oncology, or a female obstetrician. Similarly, customers of the petitioning exchanges rely on dental specialists in the Boise area, including periodontists and prosthodontics.

Toll Avoidance

Many Ontario residents engage in a variety of toll avoidance practices. Residents often avoid toll calls by combining a trip with their telephone activities. Others relay calls through neighbors or friends. Some use cellular telephones or pre-paid long-distance phone cards.

A large majority of the customers of Malheur Home Telephone use carriers other than U S WEST Communications, Inc., to carry calls to southwestern Idaho. Because many carriers offer lower rates, approximately 50 percent of the Oregon Slope, Nyssa, Vale, and Oregon Slope exchange customers use carriers such as AT&T, MCI, Sprint, and others.

OPINION

Commission Policy

The Commission has long recognized the problem with out-dated telephone exchange boundaries. In many parts of the state, original exchange territories no longer relate to community boundaries. Improved roads and highways, changes in local economies, and the growth or decline of cities and towns have greatly modified what local residents view as their community. To address this problem, the Commission allows telephone customers to request EAS to other nearby exchanges to increase their toll-free calling area. EAS is important to many customers, because it allows them toll-free access to family, neighbors and businesses, as well as emergency, medical, educational, and governmental services not located in their local calling area.

EAS is not a cost-free service, however. EAS merely changes the way telephone companies are compensated for interexchange telephone service. Per-minute toll charges are replaced with a flat or measured EAS rate. Large toll charges faced by a relatively small number of customers are replaced with smaller charges to many customers. The implementation of new EAS routes, therefore, may create new problems as telephone companies try to recover lost toll revenues.

Due to these competing concerns, the Commission has established a review process designed to balance the need to avoid rate increases on low volume users with the benefits customers may desire from toll-free rates. In an EAS investigation, the Commission first requires that a community of interest exist between the petitioning exchange and target exchange(s). A community of interest exists where there is a “social, economic, or political interdependence between two areas, or where there is a heavy dependence by one area or another area for services and facilities necessary to meet many of its basic needs.” *See Forest Grove EAS Investigation*, Order No. 87-309, at 8.

The Commission first attempts to make a community of interest determination based on an analysis of calling pattern data. In this process, the Commission Staff reviews calling data to determine whether a sufficient number of calls are placed between the exchanges, and whether a sufficient percentage of customers in the petitioning exchange are making those calls. If a petition fails to meet these objective criteria, petitioners may request the opportunity to make an alternative showing of a community of interest through demographic, economic, financial, or other evidence. In this alternative showing, the Commission relies on an analysis of the following factors:

(1) geographic and demographic information; (2) location of schools; (3) governmental and jurisdictional issues; (4) emergency services; (5) social services; (6) medical and dental providers; (7) employment and commuting patterns; (8) business and commercial dependence or interdependence; (9) transportation patterns; (10) the results of the objective criteria test; and (11) other factors deemed relevant by the Commission. *See In the Matter of the Consolidated Applications for Expansion of the Portland Extended Area Service Region*, Order No. 93-1045, at 12.

Community of Interest

I. Objective Criteria Findings

The telephone companies serving the affected exchanges filed calling pattern data with the Commission Staff. Staff reviewed the data and on February 23, 2000, filed testimony for Phase I, Community of Interest Determination. A review of geographic and telephone usage information reveals that none of the requested interexchange routes satisfies the Commission’s objective community of interest criteria. The results from Staff’s testimony, summarized by petition, is as follows:

UM 939 – Oregon Slope: The Oregon Slope exchange is contiguous with only the New Plymouth exchange. The proposed Oregon Slope/New Plymouth interexchange route, however, failed the calling volume and customer distribution criteria. The other proposed interexchange routes, Oregon Slope/Emmett, Oregon Slope/Caldwell, Oregon Slope/Nampa, Oregon Slope/Meridian, and Oregon Slope/Boise, failed to meet any of the three objective criteria.

UM 944 – Vale: The Vale exchange is contiguous with only two of the Idaho exchanges, Payette and Weiser. The proposed Vale/Payette and Vale/Weiser interexchange routes, however, failed the calling volume and customer distribution criteria. The other proposed interexchange routes, Vale/New Plymouth, Vale/Emmett, Vale/Caldwell, Vale/Nampa, Vale/Meridian, and Vale/Boise, failed to meet any of the three objective criteria.

UM 947 – Nyssa: The Nyssa exchange is contiguous with only the Payette exchange. The proposed Nyssa/Payette interexchange route, however, failed the calling volume and customer distribution criteria. The other proposed interexchange routes, Nyssa/New Plymouth, Nyssa/Emmett, Nyssa/Caldwell, Nyssa/Nampa, Nyssa/Meridian, Nyssa/Weiser, and Nyssa/Boise, failed to meet any of the three objective criteria.

UM 952 – Ontario: The Ontario exchange is contiguous with only two of the Idaho exchanges, New Plymouth and Weiser. The proposed Ontario/New Plymouth and Ontario/Weiser interexchange routes, however, failed the calling volume and customer distribution criteria. The other proposed interexchange routes, Ontario/Emmett, Ontario/Caldwell, Ontario/Nampa, Ontario/Meridian, and Ontario/Boise, failed to meet any of the three objective criteria.

II. Demographic Evidence

In our examination of EAS, we have recognized that the existence of a community of interest is not easily proved. *See* Order No. 89-815 at 10. The objective criteria and demographic standards are designed to ensure that a sufficient dependence or interdependence exists between the petitioning exchange and the target exchange(s). If such a relationship does not exist, the EAS conversion may result in unfair cost shifts.

Recently, most EAS petitions have been filed by small, rural exchanges seeking toll-free calling to larger urban centers. Due to factors such as the declining timber economy and urbanization within the state, many rural communities have seen local businesses go out of business or move to larger cities. No longer self-sufficient, these outlying towns have become more and more dependent on distant population centers for jobs and essential goods and services for its local citizens. In many of these cases, the Commission has found that a community of interest exists based on the rural exchange customer's heavy dependence on the target exchanges for services and facilities necessary to meet many of its basic needs. *See, e.g., Ukiah EAS*, Order No. 99-513; *Selma EAS*, Order No. 99-512; and *Oakridge EAS*, Order No. 99-393.

These four EAS petitions are somewhat unique. Petitioners do not claim a strong reliance on southwestern Idaho to meet their essential needs. Indeed, except for specialized medical care and higher educational opportunities, these customers can obtain almost all basic goods and services from the numerous retail and professional businesses located in Ontario. Instead, the focus of most arguments in support of these EAS petitions centers on the belief that northeast Malheur County has become an interdependent part of the Treasure Valley. Residents of the four petitioning exchanges

in Malheur County share common concerns and lifestyles with the people of Southwestern Idaho. These Malheur County residents view the state border and, more notably, telephone exchange boundaries, as an artificial and confining barrier separating them from their community neighbors.

The petitioner's arguments are well founded. Unlike the rest of the state of Oregon, most of Malheur County lies in the Mountain Time zone like Southwestern Idaho. There is also an undeniable economic area of interest throughout all of the Treasure Valley. Local businesses in Malheur County rely on suppliers and customers in the Boise/Nampa/Caldwell area. Residents of the Oregon Slope, Nyssa, Vale, and Ontario exchanges look to the Idaho media for local news coverage on television and radio. Many Malheur County residents commute to Idaho to work at the numerous industrial, commercial, and retail businesses located there. Similarly, many Idaho residents commute to and work in Malheur County. Even the local community college in Ontario, aptly named the Treasure Valley Community College, provides collaborative educational programs with Boise State University.

The Commission concludes that the commonality of interests shared by citizens of the Treasure Valley is a relevant and, ultimately, convincing factor in our evaluation of the demographic evidence presented by petitioners. While self-sufficient, the Oregon Slope, Nyssa, Vale, and Ontario exchanges have established a sufficient interdependence with the exchanges in Southwestern Idaho to warrant the elimination of toll calling between them. This showing of interdependence between exchanges, as opposed to the more common showing of dependence of one exchange on another, is an equally effective means of establishing the existence of a community of interest. *See, e.g., In the Matter of the Investigation into Extended Area Service in the State of Oregon*, Order No. 89-815 at 9.

Accordingly, given the unique circumstances presented by these petitions, the Commission concludes that a community of interest exists between the Oregon Slope, Nyssa, Vale, and Ontario telephone exchanges and the identified exchanges in Southwestern Idaho. Further proceedings should be conducted to determine the costs and rates for EAS between these areas. Those proceedings should include additional public hearings to determine whether the customers of the petitioning exchanges still support the proposed EAS at the projected rates.

The final approval of these EAS routes, however, does not rest solely with this Commission. Because these petitions seek interstate EAS, approval of the routes must also be obtained from the Idaho Public Utilities Commission. Consequently, before we proceed with the further processing of these dockets, we direct our Staff to contact members of the Idaho Commission and take all steps necessary to obtain the additional approval required for these routes. Once the approval is obtained from the Idaho Commission, we will direct Malheur Home Telephone to file proposed rates and supporting cost information so that we can proceed with this investigation.

ORDER

IT IS ORDERED that:

ORDER NO. 00-275

1. The Oregon Slope, Nyssa, Vale, and Ontario telephone exchanges have established a community of interest with the identified exchanges in Southwestern Idaho.
2. The Commission Staff is directed to contact the Idaho Public Utilities Commission to initiate proceedings consistent with this order.

Made, entered, and effective _____.

Ron Eachus
Chairman

Roger Hamilton
Commissioner

Joan H. Smith
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

**In the Matter of the Petitions for Extended Area Service
filed by the following telephone exchanges:**

OREGON SLOPE (UM 939); VALE (UM 944); NYSSA (UM 947); AND ONTARIO (UM 952)

Docket	Date Filed	Requesting Exchange	Target Exchanges
UM 939	August 10, 1999	Oregon Slope	New Plymouth, Emmett, Caldwell, Nampa, Meridian and Boise
UM 944	August 26, 1999	Vale	Payette, New Plymouth, Emmett, Caldwell, Nampa, Meridian, Weiser and Boise
UM 947	October 1, 1999	Nyssa	Payette, Emmett, Caldwell, Nampa, Meridian, Weiser and Boise
UM 952	October 18, 1999 (filed by Malheur Home Telephone on behalf of customers)	Ontario	New Plymouth, Emmett, Caldwell, Nampa, Meridian, Weiser and Boise

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APPENDIX A
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